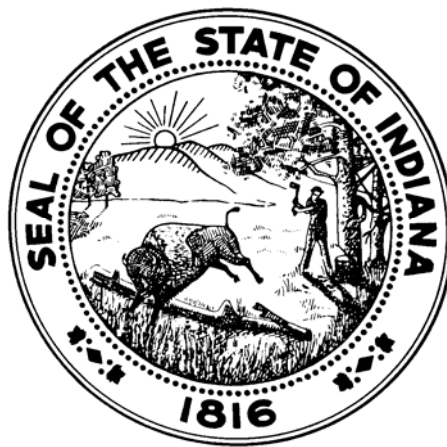


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT
OF
CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOBLE COUNTY, INDIANA
July 1, 2004 to June 30, 2006



FILED
03/13/2007

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Bonnie J. Schuster Kimberly A. Schlotterback | 07-01-04 to 03-31-05 04-01-05 to 06-30-07 |
| Superintendent of Schools | Dr. Leo P. Philbin | 07-01-04 to 06-30-07 |
| President of the School Board | Scott T. Cole Robert D. Bortner | 07-01-04 to 06-30-06 07-01-06 to 06-30-07 |



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF CENTRAL NOBLE COMMUNITY
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of Central Noble Community School Corporation (School Corporation), for the period of July 1, 2004 to June 30, 2006. The School Corporation's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the School Corporation for the years ended June 30, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Funding Progress, Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

February 15, 2007

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2005

| <u>Assets</u> | <u>Governmental Activities</u> |
|-----------------------|------------------------------------|
| Current assets: | |
| Cash and investments | \$ 2,153,837 |
| Restricted assets: | |
| Cash and investments | <u>129,301</u> |
| Total assets | <u>\$ 2,283,138</u> |
| <u>Net Assets</u> | |
| Restricted for: | |
| Debt service | \$ 129,301 |
| Unrestricted | <u>2,153,837</u> |
| Total net assets | <u>\$ 2,283,138</u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
June 30, 2006

| <u>Assets</u> | <u>Governmental Activities</u> |
|----------------------|------------------------------------|
| Current assets: | |
| Cash and investments | \$ 2,791,437 |
| Restricted assets: | |
| Cash and investments | <u>425,201</u> |
| Total assets | <u>\$ 3,216,638</u> |
| <u>Net Assets</u> | |
| Restricted for: | |
| Debt service | \$ 425,201 |
| Unrestricted | <u>2,791,437</u> |
| Total net assets | <u>\$ 3,216,638</u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2005

| Functions/Programs | Disbursements | Program Receipts | | Net |
|--|----------------------|-------------------|-------------------|---------------------|
| | | Charges for | Operating | Disbursements |
| | | Services | Grants and | Total |
| | | | Contributions | |
| Governmental activities: | | | | |
| Instruction | \$ 4,214,400 | \$ - | \$ 63,785 | \$ (4,150,615) |
| Support services | 6,436,186 | 438,016 | 181,314 | (5,816,856) |
| Community services | 140,342 | - | - | (140,342) |
| Nonprogrammed charges | 234,299 | - | - | (234,299) |
| Debt service | 5,439,367 | - | - | (5,439,367) |
| Total governmental activities | <u>\$ 16,464,594</u> | <u>\$ 438,016</u> | <u>\$ 245,099</u> | <u>(15,781,479)</u> |
| General receipts: | | | | |
| Property taxes | | | | 6,159,422 |
| Other local sources | | | | 1,276,826 |
| State aid | | | | 5,476,025 |
| Grants and contributions not restricted | | | | 197,668 |
| Bonds and loans | | | | 3,247,698 |
| Sale of property, adjustments, and refunds | | | | 44,379 |
| Investment earnings | | | | 27,540 |
| Transfers: | | | | |
| Intergovernmental | | | | <u>12,260</u> |
| Total general receipts and transfers | | | | <u>16,441,818</u> |
| Change in cash and investments | | | | 660,339 |
| Net assets - beginning | | | | <u>1,622,799</u> |
| Net assets - ending | | | | <u>\$ 2,283,138</u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH ACTIVITIES
For the Year Ended June 30, 2006

| Functions/Programs | Disbursements | Program Receipts | | Net |
|--|----------------------|-------------------|-------------------|---------------------|
| | | Charges for | Operating | Disbursements |
| | | Services | Grants and | Total |
| | | | Contributions | |
| Governmental activities: | | | | |
| Instruction | \$ 4,099,838 | \$ - | \$ 65,323 | \$ (4,034,515) |
| Support services | 6,127,215 | 463,287 | 225,793 | (5,438,135) |
| Community services | 136,949 | - | - | (136,949) |
| Nonprogrammed charges | 256,970 | - | - | (256,970) |
| Debt service | 2,318,132 | - | - | (2,318,132) |
| Total governmental activities | <u>\$ 12,939,104</u> | <u>\$ 463,287</u> | <u>\$ 291,116</u> | <u>(12,184,701)</u> |
| General receipts: | | | | |
| Property taxes | | | | 5,538,202 |
| Other local sources | | | | 885,951 |
| State aid | | | | 5,632,192 |
| Grants and contributions not restricted | | | | 162,350 |
| Bonds and loans | | | | 720,814 |
| Sale of property, adjustments, and refunds | | | | 42,518 |
| Investment earnings | | | | 33,685 |
| Transfers: | | | | |
| Intergovernmental | | | | <u>102,489</u> |
| Total general receipts and transfers | | | | <u>13,118,201</u> |
| Change in cash and investments | | | | 933,500 |
| Net assets - beginning | | | | <u>2,283,138</u> |
| Net assets - ending | | | | <u>\$ 3,216,638</u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

| | General | Transportation Operating | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|---|-------------------|-----------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 3,404,454 | \$ 865,918 | \$ 1,542,384 | \$ 812,309 | \$ 141,004 | \$ 1,135,360 | \$ 7,901,429 |
| Intermediate sources | - | - | - | - | - | 375 | 375 |
| State sources | 5,527,594 | - | - | - | - | 63,565 | 5,591,159 |
| Federal sources | - | - | - | - | - | 327,633 | 327,633 |
| Bonds and loans | 2,788,127 | - | 459,571 | - | - | - | 3,247,698 |
| Sale of property, adjustments and refunds | 44,379 | - | - | - | - | - | 44,379 |
| Intergovernmental transfers | - | - | - | - | - | 12,260 | 12,260 |
| Total receipts | <u>11,764,554</u> | <u>865,918</u> | <u>2,001,955</u> | <u>812,309</u> | <u>141,004</u> | <u>1,539,193</u> | <u>17,124,933</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 4,041,539 | - | - | - | - | 172,861 | 4,214,400 |
| Support services | 4,267,783 | 605,869 | - | 431,285 | 140,740 | 1,060,766 | 6,506,443 |
| Community services | 136,850 | - | - | - | - | 3,492 | 140,342 |
| Nonprogrammed charges | 193,570 | - | - | - | - | 40,729 | 234,299 |
| Debt services | 3,180,268 | - | 2,114,400 | - | - | 144,699 | 5,439,367 |
| Total disbursements | <u>11,820,010</u> | <u>605,869</u> | <u>2,114,400</u> | <u>431,285</u> | <u>140,740</u> | <u>1,422,547</u> | <u>16,534,851</u> |
| Excess (deficiency) of total receipts over (under) total disbursements | (55,456) | 260,049 | (112,445) | 381,024 | 264 | 116,646 | 590,082 |
| Cash and investments - beginning | <u>695,938</u> | <u>174,537</u> | <u>282,155</u> | <u>184,734</u> | <u>14,405</u> | <u>72,574</u> | <u>1,424,343</u> |
| Cash and investments - ending | <u>\$ 640,482</u> | <u>\$ 434,586</u> | <u>\$ 169,710</u> | <u>\$ 565,758</u> | <u>\$ 14,669</u> | <u>\$ 189,220</u> | <u>\$ 2,014,425</u> |

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ 590,082 |
| Amounts reported for governmental activities in the statement of cash activities are different because: | |
| Internal service funds are not reported as a part of governmental funds. | <u>70,257</u> |
| Change in cash and investments of governmental activities. | <u>\$ 660,339</u> |

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

| | General | Transportation Operating | Debt Service | Capital Projects | School Bus Replacement | Other | Totals |
|--|-------------------|-----------------------------|-------------------|---------------------|---------------------------|-------------------|---------------------|
| Receipts: | | | | | | | |
| Local sources | \$ 3,160,937 | \$ 811,961 | \$ 1,211,041 | \$ 854,960 | \$ 145,394 | \$ 736,381 | \$ 6,920,674 |
| Intermediate sources | - | - | - | - | - | 450 | 450 |
| State sources | 5,685,083 | - | - | - | - | 49,246 | 5,734,329 |
| Federal sources | - | - | - | - | - | 351,329 | 351,329 |
| Bonds and loans | 720,814 | - | - | - | - | - | 720,814 |
| Sale of property, adjustments and refunds | 42,519 | - | - | - | - | - | 42,519 |
| Intergovernmental transfers | 88 | - | - | - | - | 14,940 | 15,028 |
| Total receipts | <u>9,609,441</u> | <u>811,961</u> | <u>1,211,041</u> | <u>854,960</u> | <u>145,394</u> | <u>1,152,346</u> | <u>13,785,143</u> |
| Disbursements: | | | | | | | |
| Current: | | | | | | | |
| Instruction | 3,939,379 | - | - | - | - | 160,459 | 4,099,838 |
| Support services | 4,165,717 | 669,774 | - | 706,897 | 93,582 | 728,339 | 6,364,309 |
| Community services | 135,820 | - | - | - | - | 1,129 | 136,949 |
| Nonprogrammed charges | 132,145 | 94 | - | - | - | 37,270 | 169,509 |
| Debt services | 1,226,405 | - | 944,998 | - | - | 146,729 | 2,318,132 |
| Total disbursements | <u>9,599,466</u> | <u>669,868</u> | <u>944,998</u> | <u>706,897</u> | <u>93,582</u> | <u>1,073,926</u> | <u>13,088,737</u> |
| Excess of total receipts over total disbursements | 9,975 | 142,093 | 266,043 | 148,063 | 51,812 | 78,420 | 696,406 |
| Cash and investments - beginning | <u>640,482</u> | <u>434,586</u> | <u>169,710</u> | <u>565,758</u> | <u>14,669</u> | <u>189,220</u> | <u>2,014,425</u> |
| Cash and investments - ending | <u>\$ 650,457</u> | <u>\$ 576,679</u> | <u>\$ 435,753</u> | <u>\$ 713,821</u> | <u>\$ 66,481</u> | <u>\$ 267,640</u> | <u>\$ 2,710,831</u> |

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF CASH ACTIVITIES

| | |
|---|-------------------|
| Net change in fund balances - total governmental funds | \$ 696,406 |
| Amounts reported for governmental activities in the statement of cash activities are different because: | |
| Internal service funds are not reported as a part of governmental funds. | <u>237,094</u> |
| Change in cash and investments of governmental activities. | <u>\$ 933,500</u> |

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

| | Internal Service Fund |
|----------------------------------|-----------------------------|
| Receipts: | |
| Local sources | \$ 1,071,203 |
| Disbursements: | |
| Support services | 1,000,946 |
| Changes in cash and investments | 70,257 |
| Cash and investments - beginning | 198,456 |
| Cash and investments - ending | \$ 268,713 |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

| | Internal Service Fund |
|----------------------------------|-----------------------------|
| Receipts: | |
| Local sources | \$ 1,192,261 |
| Transfers | <u>87,461</u> |
| Total receipts | <u>1,279,722</u> |
| Disbursements: | |
| Support services | 955,167 |
| Nonprogrammed charges | <u>87,461</u> |
| Total disbursements | <u>1,042,628</u> |
| Changes in cash and investments | 237,094 |
| Cash and investments - beginning | <u>268,713</u> |
| Cash and investments - ending | <u><u>\$ 505,807</u></u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2005

| | <u>Pension Trust Funds</u> |
|---|--------------------------------|
| Deductions: | |
| Support services | \$ <u>430,621</u> |
| Deficiency of total additions under total deductions | (430,621) |
| Cash and investments - beginning | <u>479,724</u> |
| Cash and investments - ending | <u>\$ <u>49,103</u></u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH AND INVESTMENTS
FIDUCIARY FUNDS
For The Year Ended June 30, 2006

| | <u>Pension Trust Funds</u> |
|----------------------------------|--------------------------------|
| Cash and investments - beginning | \$ <u>49,103</u> |
| Cash and investments - ending | \$ <u><u>49,103</u></u> |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2005

| <u>Assets</u> | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| Cash and investments | <u>\$ 49,103</u> | <u>\$ 68,558</u> |
| <u>Net Assets</u> | | |
| Held in trust for employee benefits and other purposes | <u>\$ 49,103</u> | |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
STATEMENT OF CASH AND INVESTMENTS
FIDUCIARY FUNDS
June 30, 2006

| <u>Assets</u> | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| Cash and investments | <u>\$ 49,103</u> | <u>\$ 72,535</u> |
| <u>Net Assets</u> | | |
| Held in trust for employee benefits and other purposes | <u>\$ 49,103</u> | |

The accompanying notes are an integral part of the financial statements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

Note 2. Fund Accounting

A. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Cash and Investments and the Statement of Cash Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The transportation operating fund accounts for financial resources for the transportation of school children to and from school.

The debt service fund accounts for debt from funds borrowed or advanced for the purchase or lease of school buildings, school buses, judgments against the corporation, equipment or capital construction, and interest on emergency and temporary loans.

The capital projects fund accounts for planned construction, repair, replacement or remodeling; and the purchase, lease, upgrade, maintenance, or repair of computer equipment.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

The school bus replacement fund is used to account for receipts and disbursements concerning the acquisition and disposal of school buses.

Additionally, the School Corporation reports the following fund types:

The internal service fund accounts for health insurance.

The pension trust funds account for receipts and disbursements concerning retirement/severance benefits as authorized by statute.

Agency funds account for assets held by the School Corporation as an agent for other funds and serve as control of accounts for certain cash transactions during the time they are a liability to the School Corporation.

B. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The School Corporation has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The School Corporation does not have any enterprise funds.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the School Corporation to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Interfund Transfers

Interfund transfers for the years ended June 30, 2005 and 2006, were as follows:

| <u>Transfer From</u> | <u>Transfer To</u> | <u>2005</u> | <u>2006</u> |
|--------------------------|--------------------|------------------|------------------|
| Transportation Operating | General | \$ - | \$ 88 |
| Transportation Operating | Textbook Rental | - | 6 |
| Title I 03-04 | Title I 04-05 | 12,260 | - |
| Title I 04-05 | Title I 05-06 | - | 14,934 |
| | | <u>-</u> | <u>14,934</u> |
| Totals | | <u>\$ 12,260</u> | <u>\$ 15,028</u> |

The School Corporation typically uses transfers for cash flow purposes according to various statutes.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 7. Pension Plans

Public Employees' Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the School Corporation authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Teacher's Retirement Fund

Plan Description

The School Corporation contributes to the Indiana Teacher's Retirement Fund (TRF), a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the TRF Board, most requirements of the system, and gives the School Corporation authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The School Corporation may elect to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
NOTES TO FINANCIAL INFORMATION
(Continued)

Teacher's Retirement Fund
150 West Market Street
Indianapolis, IN 46204
Ph. (317) 232-3860

Funding Policy and Annual Pension Cost

The School Corporation contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School Corporation currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

| Public Employees' Retirement Fund | | | | | | |
|-----------------------------------|--|---|--------------------------|--------------------------|---------------------------|--|
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (a-b) | Funded Ratio (a/b) | Covered Payroll (c) | Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c) |
| 07-01-03 | \$ 1,394,085 | \$ 1,478,548 | \$ (84,463) | 94% | \$ 1,581,517 | (5%) |
| 07-01-04 | 1,426,457 | 1,496,573 | (70,116) | 95% | 1,556,000 | (5%) |
| 07-01-05 | 1,506,727 | 1,537,177 | (30,450) | 98% | 1,573,036 | (2%) |

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

June 30, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 28,417 |
| Buildings | 17,964,162 |
| Improvements other than buildings | 794,067 |
| Machinery and equipment | <u>3,206,185</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 21,992,831</u> |

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

June 30, 2006

| Description of Debt | Ending Balance | Due Within One Year |
|---|---------------------|---------------------------|
| Governmental Activities: | | |
| Capital leases: | | |
| Central Noble | \$ 4,100,000 | \$ 390,000 |
| Renovation of high school | 1,980,000 | - |
| Energy savings | 319,552 | 76,696 |
| Bleachers | 12,784 | 12,784 |
| Bonds payable: | | |
| General obligation bonds: | | |
| 2003 Taxable general obligation pension bonds | <u>1,580,000</u> | <u>30,000</u> |
| Total governmental activities long-term debt | <u>\$ 7,992,336</u> | <u>\$ 509,480</u> |

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed timely for the period beginning August 2005 to the present date. The School Corporation's fund balances do not reconcile with the bank. There is an unknown difference between the School Corporation's fund balances and the bank's balance less outstanding checks, with the ledger showing \$3,248.17 more than the bank as of June 30, 2006.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN FUND BALANCES

The Textbook Rental Fund was overdrawn in fiscal years 2005 and 2006. The overdrawn fund balance at June 30, 2006, is \$16,890. A similar comment appeared in prior Audit Report B24815.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PRESCRIBED FORMS

The textbook rental receipt form TBR-2 in use by the School Corporation is not a form prescribed or approved by the State Board of Accounts. These forms are not sequentially pre-numbered, nor is there a signature line on the forms for the issuing officer.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSACTION RECORDING

Some items such as interest earned from December 2005 through June 2006, October health insurance premium, and various reconciling corrections, were not entered in the records of the School Corporation.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconcilements as of June 30, 2006, revealed seven checks outstanding in excess of two years.

Indian Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the: (1) board of finance of the political subdivision; or (2) the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 15, 2007, with Robert D. Bortner, President of the School Board; Kimberly A. Schlotterback, Treasurer; and Stan Jacobs, Business Manager. The officials concurred with our findings.